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November 7, 2006

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**BY EMAIL AND US MAIL**

Mr. Joseph Lapka  
Region 9 Air Permits Office  
United States Environmental Protection Agency  
Air Permits Office (AIR-3)  
75 Hawthorne Street  
San Francisco, CA 94105

**Re: Adequacy of Cabrillo Port Modeling Under PSD Program Requirements**

Dear Joe:

I reviewed your September 8, 2006 memorandum to file regarding whether the Cabrillo Port air quality impact analysis would meet the requirements of a PSD modeling analysis were the project subject to that program. As you know, Cabrillo Port is not subject to the PSD program. However, BHP set out to perform an air quality impact analysis that would comply with PSD standards. Because of this I was concerned to see you suggest to the California Coastal Commission that our air quality impact report did not meet PSD requirements because BHP failed to conduct a competing source impact analysis when an overwater receptor showed NO<sub>2</sub> impacts above the significant impact level ("SIL"). BHP believes that your statement does not accurately reflect the PSD regulations, EPA's guidance or the modeling report. Therefore I believed it important to correct the record.

EPA's rules do not specify a detailed procedure to be used in performing a PSD ambient impact analysis. Aspects of the modeling analysis are suggested in the rules, such as the statement that, in general, a source is to use 5 years of offsite meteorological data. However, the specifics are left to EPA guidance. As you mention in your memorandum, the 1990 draft New Source Review Guidance Manual ("NSR Guidance Manual") is commonly referred to flesh out the modeling requirements. That guidance, as well as other agency guidance, is clear that the focal point of the analysis is the ambient air where impacts are predicted to exceed the SIL (the "impact area"). As EPA has described it, "the impact of the source is simply not analyzed beyond the point of significant impact..." *Letter from James Wilburn (USEPA) to Fin Johnson (NCDEM)* (June 12, 1984). The NSR Guidance Manual indicates that if the impacts from a particular pollutant exceed the SIL outside the exclusion zone, the source would normally consider a competing source analysis. However, while this is a typical step it is by no means a preordained step. Oregon

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EPA guidance is clear that a competing source analysis is only necessary when there is a reasonable basis to believe that any competing sources could have a significant impact within a source's impact area. The NSR Guidance Manual states that where a competing source analysis is performed, it should include those sources "which could affect the air quality within the impact area(s)." *NSR Guidance Manual* at C.31. A competing source analysis would be performed in relation to receptors where the project and a competing source would reasonably be anticipated to exceed the SIL at the same point in time (i.e., common significant impacts on a spatial and temporal basis). The guidance document goes on to say that the applicant is supposed to inventory "any point source expected to cause a significant concentration gradient in the vicinity of the proposed new source or modification." *Guidance* at C.32. This means that if there are no point sources reasonably expected to cause a significant concentration within a proposed source's impact area, then there is nothing to be modeled in the competing source analysis.

BHP's modelers evaluated Cabrillo Port's impact area and determined that due to the unique circumstances of Cabrillo Port being 14 miles offshore, there are no other sources that would reasonably be expected to cause significant NO<sub>2</sub> impacts within the Cabrillo Port impact area. As was explained in BHP's July 5, 2006 modeling report:

None of the onshore impact levels exceed the Class II NO<sub>2</sub> significance level of 1.0 µg/m<sup>3</sup>; maximum predicted impacts are approximately two orders of magnitude below the significance threshold. Therefore, the facility is not expected to cause or contribute to an onshore violation of the NO<sub>2</sub> ambient air quality standard. The maximum modeled offshore impact is 2.1 µg/m<sup>3</sup>, which is above the Class II area significant impact level (SIL). However, as discussed above and as shown in Figures 1-1 and 1-4, the area in which the modeled annual average NO<sub>2</sub> concentrations exceed the SIL extends less than 1200 meters to the east of the Coast Guard exclusion zone, immediately adjacent to the FSRU and located over 10 miles from any onshore receptors. Because the significant impact is so localized and so far from any other onshore or offshore sources, it is unlikely that any other emission sources would impact the SIL. Therefore, the applicant does not believe that an NO<sub>2</sub> increment analysis is appropriate or necessary for this project."

*Preconstruction Air Quality Impact Assessment of the BHP Cabrillo Deepwater Port LNG Import Terminal*; pages 8-9 (July 5, 2006).



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There is no reasonable basis to believe that another source could significantly impact NO<sub>2</sub> levels within the Cabrillo Port impact zone. In its modeling report as well as in discussions with EPA's modeler assigned to the project, BHP identified that the highest impacts occur due east (i.e., parallel to the Ventura County coastline) and that impacts drop below the SIL just a short distance from the exclusion zone. The only competing point sources that would be considered in a competing source analysis are onshore or on Anacapa and San Nicolas Islands. In order for the ambient concentration attributable to a competing source to exceed 1 µg/m<sup>3</sup> of NO<sub>2</sub> at a receptor within the Cabrillo Port impact zone, the other source would need to be upwind and either in close proximity or emit an extremely large amount of NO<sub>2</sub>. No such source exists. Cabrillo Port's impact zone is very small. For a competing source to have a significant impact within that area it would have to have NO<sub>2</sub> emissions orders of magnitude larger than Cabrillo Port's. No such source exists. Based on this fact, we understood from our consultant's conversations with Carol Bohnenkamp that EPA acknowledged there is no realistic possibility of a competing source contributing a significant concentration within the Cabrillo Port impact zone. Because no such competing source exists, there is no basis for performing a competing source analysis.

Based on the analysis and experience of BHP's experts, the air quality impact analysis submitted for the Cabrillo Port project is compliant with all requirements that would be imposed were the source subject to the PSD program.

We appreciate this opportunity to correct the record.

Sincerely,



Thomas R. Wood

cc: Ms. Audrey McCombs  
Ms. Alison Dettmer  
Ms. Margaret Alkon  
Ms. Renee Klimczak  
Mr. Gary Rubenstein